

## 20 Civ. 06274 (LAK)

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United States District Court

*for the*

Southern District of New York

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*IN RE TRANS CARE CORPORATION, ET AL.*

DEBTORS,

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PATRIARCH PARTNERS AGENCY SERVICES, LLC, ET AL.

DEFENDANTS-APPELLANTS,

—against—

SALVATORE LAMONICA, AS CHAPTER 7 TRUSTEE OF THE JOINTLY-  
ADMINISTERED ESTATES OF TRANS CARE CORPORATION, ET AL.,

PLAINTIFF-APPELLEE.

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ON APPEAL FROM THE UNITED STATES BANKRUPTCY COURT FOR  
THE SOUTHERN DISTRICT OF NEW YORK (BERNSTEIN, J.)

IN RE: TRANS CARE CORPORATION, ET AL., CASE NO. 16-10407 (SMB)

LAMONICA V. TILTON, ET AL., ADV. PROC. NO. 18-1021 (SMB)

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APPENDIX TO BRIEF FOR THE APPELLANTS

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Volume XXIV- A3868-A3886

## Update Executive Summary for Lynn (pending additional updates including results of this mornings St Barnaba meeting)

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From:

Marc Pfefferle <mpfefferle@carlmarks.com>

To:

Jonathan Killion <jkillion@carlmarks.com>, Michael Greenberg <michael.greenberg@patriarchpartners.com>, "Jean Luc Pelissier (CBA)" <pelissier@cbagroupllc.com>, Randy Jones <randy.jones@patriarchpartners.com>

Cc:

Mark Claster <mclaster@carlmarks.com>, Carl Landeck <clandeck@carlmarks.com>

Date:

Wed, 27 Jan 2016 07:43:16 -0500

Attachments:

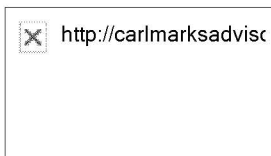
TransCare - Executive Summary 1 27 16.pptx (255.5 kB)

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Please review and comment on this version. The message is a difficult one, but I believe accurate. Please provide any comments to Jonathan who will be at the Company this morning with Carl and Michael.

There are still some items in the financial model, like is there enough insurance cost in the model (current cost is \$11MM per year), that Carl still needs to check out before we present.

Thanks



**Marc L. Pfefferle**  
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*Driving success through change and growth*

**From:** Jonathan Killion

**Sent:** Wednesday, January 27, 2016 12:03 AM

**To:** Michael Greenberg <Michael.Greenberg@PatriarchPartners.com>; Jean Luc Pelissier (CBA) <pelissier@cbagroupllc.com>; Randy Jones <Randy.Jones@PatriarchPartners.com>

**Cc:** Marc Pfefferle <mpfefferle@carlmarks.com>; Mark Claster <mclaster@carlmarks.com>; Carl Landeck <clandeck@carlmarks.com>

**Subject:** RE: Draft of FY'16 Plan Materials (Excludes Executive Summary)

All,

Attached is a draft of the executive summary, the intent will be to use these slides as the basis for our meeting tomorrow.

Please let me if you have any questions or comments.

**PX 175**

LaMonica v. Tilton, et al., 18-1021-smb

Thank you,

Jonathan

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**From:** Jonathan Killion

**Sent:** Tuesday, January 26, 2016 12:44 PM

**To:** 'Michael Greenberg' <[Michael.Greenberg@PatriarchPartners.com](mailto:Michael.Greenberg@PatriarchPartners.com)>; Jean Luc Pelissier (CBA) <[pelissier@cbagrouppllc.com](mailto:pelissier@cbagrouppllc.com)>; Randy Jones <[Randy.Jones@PatriarchPartners.com](mailto:Randy.Jones@PatriarchPartners.com)>

**Cc:** [mpfefferle@carlmarks.com](mailto:mpfefferle@carlmarks.com); Mark Cluster <[mcluster@carlmarks.com](mailto:mcluster@carlmarks.com)>; Carl Landeck (<[clandeck@carlmarks.com](mailto:clandeck@carlmarks.com)>)

**Subject:** Draft of FY'16 Plan Materials (Excludes Executive Summary)

Michael, Jean-Luc and Randy,

Attached is a draft of a presentation that goes through the details of the FY'16 projections and key action items for each division. The file is not intended to be the basis for our meeting tomorrow but an account of the key assumptions, risks, opportunities and priorities currently underlying the plan.

For the meeting, we are preparing an executive summary that will discuss the key points. Please feel free to send comments, Marc, Michael and I will be doing a page flip at some point this afternoon.

I will send around the executive summary when it is in a position to circulate.

Thank you,

Jonathan



**Jonathan P. Killion, CFA**



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## 2016 Plan Executive Summary January 27th, 2016

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## Situation Analysis

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**TransCare is now operating at an absolute breaking point:**

» **Strained and Broken Customer Relationships**

- Current void in Senior Management leadership including open CEO position
  - Lack of credibility; perception is lots of promises/talk and no action
- Continuing cycle of worry over business viability
  - Notices of Insurance Terminations
  - Aging Fleet – reliability, length of time out of service, etc.
  - Supplies and Medical Equipment – awareness of shortages/poor condition
  - Employee Defections – loss of previously dependable critical resources
- Virtually all key customers are pursuing or considering replacement options – fluid situation that is unstable and constantly changing; loss of another key customer will likely create “domino effect”
- Update of today’s St. Barnabas meeting to be provided by Jena-Luc and Randy

» **Strained and Broken Employee Relationships Causing Extreme Frustration**

- Payroll Issues (including \$2.1M past due payroll and payroll taxes)
  - Constraints resulted in elimination of direct deposit and bouncing of checks. Increased cost and inconvenience to employee of maintaining bank accounts, delayed access to funds
- Fleet Issues
  - Mechanical failures disrupt ability to perform required duties/service
- Supplies and Equipment Issues
  - Lack of even minimum levels and aged/broken equipment not only impairs employee effectiveness and service levels, but is personally embarrassing
- Senior Management
  - A strong CEO (transitional or permanent) is required to establish credibility, lead TC’s management team, restructure operations and execute change

## Situation Analysis - Continued

### » Strained and Broken Ambulance Fleet

- Out of Service Vehicles are literally increasing on a daily basis:
  - ≈50 out of 248 (20%) vehicles currently out of service in all divisions

Vehicles Currently Out of Service by Division							
As of 1/25/16	Hudson	WC EMS	NY Core	NYEMS	MD	PA	Total
Total Vehicles	31	11	92	59	27	28	248
Out of Service	11	0	22	10	9	16	50
Out of Service %	35.5%	0.0%	23.9%	16.9%	33.3%	57.1%	20.2%

- Ambulance fleet aged beyond industry standard with continual need for extraordinary parts and repair
- Unable to respond to customers needs; many daily calls cannot be serviced
- No replacement cycle for 911 fleet vehicles

### » Strained and Broken Vendor Relationships

- Currently have over \$5 million in non payroll, non landlord, non insurance payables over 120 days; vendors are worn out from unfulfilled TC payment promises;

### » Strained and Broken Landlord Relationships

- Hamilton (911/Core Ops) – Current eviction proceedings continued til Thursday Jan. 28th; no confirmed agreement to stay beyond 3/31/16
- Bank Street (ParaTransit/MTA Ops) – Currently subject to stipulated settlement of previous non-payment of rent in addition to on-going obligation
- Pittsburgh – Lease expired September 30, 2015 with no rent paid since; current landlord threat to evict mid-February
- Corporate Office – No rent paid since September 30, 2015; landlord has begun collection effort
- Maryland – Existing judgment for non-payment of January 2016
- Mount Vernon & Hudson Valley – 5 facilities in various states of delinquent rent/landlord paid charges
- Mainline (Philadelphia) – evicted from facility; owe \$92K plus lease breakage (least important)

## Goals & Objectives

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- » Stabilize Organizational Chaos
- » Repair Strained and Broken Customer Relationships
- » Repair Strained and Broken Employee Relationships
- » Develop Cyclical Plan for Upgrading and Replacing Vehicles
- » Develop Real Estate Plan – Short and Long Term
- » Develop and Implement Changes to Business Designed to Improve Profitability



## Actions - Overview

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- » CMA has worked diligently to develop the most accurate financial picture of the Company possible given the limitations of the Company's accounting systems and financial reporting
- » To have a chance of a turnaround, TransCare needs an immediate incremental pledge of support from Patriarch totaling \$7.5M+ excluding 2016 term interest (the plus to account for surprises, shortfalls and contingencies), at least half over the next several weeks)
  - The business continues to deteriorate (October EBITDA -\$440k, with rest of Q4 & January likely in the same range) as the vehicle fleet is starved of critical repair, maintenance and medically necessary supplies, with key vendors not shipping and landlords/lessors/others threatening legal action on a daily basis
- » Unfortunately time has run out and the decision to risk significant capital must be made before a turnaround can show meaningful positive results
  - To avoid imminent business failure, ≈\$3.5M of financial support is required over the next two weeks including \$1M this week to cover critical or unavoidable obligations to keep the business running
  - With effective implementation, ability to get vehicles quickly back into service and recapture lost calls & Transit routes, the Company can achieve a Q4 EBITDA run rate of \$2M+, which could support operations, capital lease payments and interest obligations on a go-forward basis
- » Plan execution risk is high and therefore ultimate payback on the incremental investment is uncertain
  - Customers - An immediate and tangible statement must be made to stop customer switching actions in progress – concern that loss of one additional significant customer will start a domino effect
  - Vehicle Replacement – To retain New York 911 and other business, significant near term investment in vehicles is required and TC's short-term ability to finance initial purchases is in question
  - Operational Changes - Significant opportunity for improvement, but also many moving parts including moving operations, infrastructure investment and people impacts
  - Profit Improvement - Dependent not only strong execution, but several non-controllable factors such as weaker than forecast run rate trip volumes, avoiding further loss of business, fast speed of regaining MTA transit routes, avoiding unplanned lease evictions, and similar shortfalls

# 13 Week Cash Forecast

Over the next 13 weeks, the Company will need peak funding of \$7.5M

Week Ended (\$ in 000's)	Beg.	1/29	2/5	2/12	2/19	2/26	3/4	3/11	3/18	3/25	4/1	4/8	4/15	4/22
<b>Collections</b>														
Ambulance / Ambulette Receipts		1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350
MTA - ParaTransit Receipts		-	1,750	-	-	-	-	1,750	-	-	-	1,750	-	-
Subsidies		-	700	-	-	-	-	700	-	-	-	700	-	-
Subtotal Receipts (Swept)		\$1,350.0	\$3,800.0	\$1,350.0	\$1,350.0	\$1,350.0	\$1,350.0	\$3,800.0	\$1,350.0	\$1,350.0	\$1,350.0	\$3,800.0	\$1,350.0	\$1,350.0
<b>Operating Disbursements</b>														
<b>Payroll</b>														
Current Weeks Payroll		(550)	(590)	(590)	(590)	(590)	(590)	(590)	(590)	(590)	(590)	(590)	(590)	(590)
Prior Weeks Payroll		(350)	(350)	-	-	-	-	-	-	-	-	-	-	-
Current Weeks Payroll Taxes		-	(465)	(465)	(465)	(465)	(465)	(465)	(465)	(465)	(465)	(465)	(465)	(465)
Prior Weeks Payroll Taxes		(465)	(920)	-	-	-	-	-	-	-	-	-	-	-
Union Dues and Health Savings		(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
Subtotal		(1,376)	(2,646)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)	(1,266)
<b>Recurring Insurance Payments</b>														
NYSIF - Monthly		(419)	-	-	-	-	(320)	-	-	-	(420)	-	-	-
Aetna Medical Insurance		-	(325)	-	-	-	(335)	-	-	-	(335)	-	-	-
Zurich Auto Insurance		-	(214)	-	(157)	-	(157)	-	(157)	-	(157)	-	(157)	-
MD/PA/DE Workers Comp		-	(65)	-	-	-	(65)	-	-	-	(65)	-	-	-
IPFS (Gen'l Liab & Prop Insure)		-	(143)	-	-	-	(143)	-	-	-	(143)	-	-	-
Subtotal		(419)	(847)	-	(157)	-	(1,120)	-	(157)	-	(1,120)	-	(157)	-
<b>All Other</b>														
Rent - Sez Foster (Bklyn Bank St)		-	-	(74)	-	-	-	(74)	-	-	-	(74)	-	-
All Other Rent		-	(130)	-	-	-	(130)	-	-	-	(130)	-	-	-
Maintenance & Repairs		(30)	(90)	(90)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)
Fuel		(30)	(90)	(90)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)
Supplies, etc.		(23)	(68)	(68)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)
AR-IT Consultant Payroll		-	-	-	-	-	-	-	(15)	-	-	-	(15)	-
AP & ACH		-	-	-	-	-	-	-	-	-	-	-	-	-
Santander & Signature Fin leases		-	-	(45)	-	-	(45)	-	-	-	(45)	-	-	-
All Other Capital Leases		-	-	(21)	-	-	(21)	-	-	-	(21)	-	-	-
Bank Fees & Wells Interest		(67)	(65)	(26)	-	-	(55)	(26)	-	-	(65)	(26)	-	-
All other		(35)	(105)	(105)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)
Subtotal		(185)	(866)	(529)	(235)	(235)	(450)	(406)	(250)	(235)	(450)	(406)	(250)	(235)
<b>CapEx</b>														
Down payment on Leases (Assumes 30% Down Pmt per Vehicle)		-	(225)	-	-	-	(270)	-	-	-	-	(135)	-	-
Lease Amortization and Interest payments		-	-	-	-	-	(14)	-	-	-	-	(31)	-	-
<b>Past Due and Extraordinary</b>														
NYSIF		(194)	-	-	-	-	(194)	-	-	-	(190)	-	-	-
Past Due AP vendors (over 90 total \$5M at 12.31.15)		(120)	(200)	(120)	(120)	(120)	(200)	(120)	(120)	(120)	(200)	(120)	(120)	(120)
Re-establish other repair/maintenance vendors		-	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Aetna Medical Insurance premium for December 2015		-	-	-	-	-	-	-	-	-	-	-	-	-
Zurich Auto premium - imminent termination		-	-	-	-	-	-	-	-	-	-	-	-	-
IPFS General Liab/Property premium - imminent termination		-	-	-	-	-	-	-	-	-	-	-	-	-
NYS WC Class Action litigation defense coalition (Gliberti)		(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	-	-	-	-
Sez Foster (Bklyn LL) Stipulated Settlement		(73)	-	(65)	-	-	-	(65)	-	-	-	-	(65)	-
Milea (Bklyn LL evicting)		(140)	(101)	-	-	-	(101)	-	-	-	(101)	-	-	-
Mordy Flam (attorney representing company against Milea)		-	(101)	-	-	-	-	-	-	-	-	-	-	-
Past Due Landlord obligations (total \$1MM)		-	(150)	(105)	(86)	(110)	(58)	-	-	-	-	-	-	-
Salisbury Settlement		(77)	-	-	-	-	-	-	-	-	-	-	-	-
December Santander & Signature Financial lease payments		(45)	-	-	-	-	-	-	-	-	-	-	-	-
Carl Marks Advisors: 3 Months Retention		-	(135)	-	-	-	(135)	-	-	-	(135)	-	-	-
AT&T disconnect notice		(40)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal		(702)	(596)	(245)	(291)	(250)	(705)	(140)	(205)	(140)	(535)	(195)	(195)	(130)
<b>Total Operating Disbursements + CapEx</b>		(\$2,682)	(\$4,892)	(\$2,150)	(\$2,049)	(\$1,851)	(\$3,928)	(\$1,912)	(\$1,978)	(\$1,741)	(\$3,572)	(\$2,065)	(\$1,965)	(\$1,731)
Beginning AR Availability		10	(221)	(3,205)	(3,504)	(3,903)	(4,004)	(6,182)	(5,486)	(5,713)	(5,704)	(7,526)	(6,986)	(7,203)
Additional Funding		-	-	-	-	-	-	-	-	-	-	-	-	-
Availability from Collections		203	465	203	203	203	203	465	203	203	465	203	203	203
Borrowing Capacity on Current Weeks Sales		1,548	2,143	1,548	1,548	1,548	1,548	2,143	1,548	1,548	2,143	1,548	1,548	1,548
Funding Requests		(2,682)	(4,892)	(2,150)	(2,049)	(1,851)	(3,928)	(1,912)	(1,978)	(1,741)	(3,572)	(2,065)	(1,965)	(1,731)
Remaining Availability / Funding Need*		(921)	(3,205)	(3,604)	(3,903)	(4,004)	(6,182)	(5,486)	(5,713)	(5,704)	(7,526)	(6,986)	(7,203)	(7,184)

\* Does not account for minimum cash balance

Will have a printout so this is more easily readable

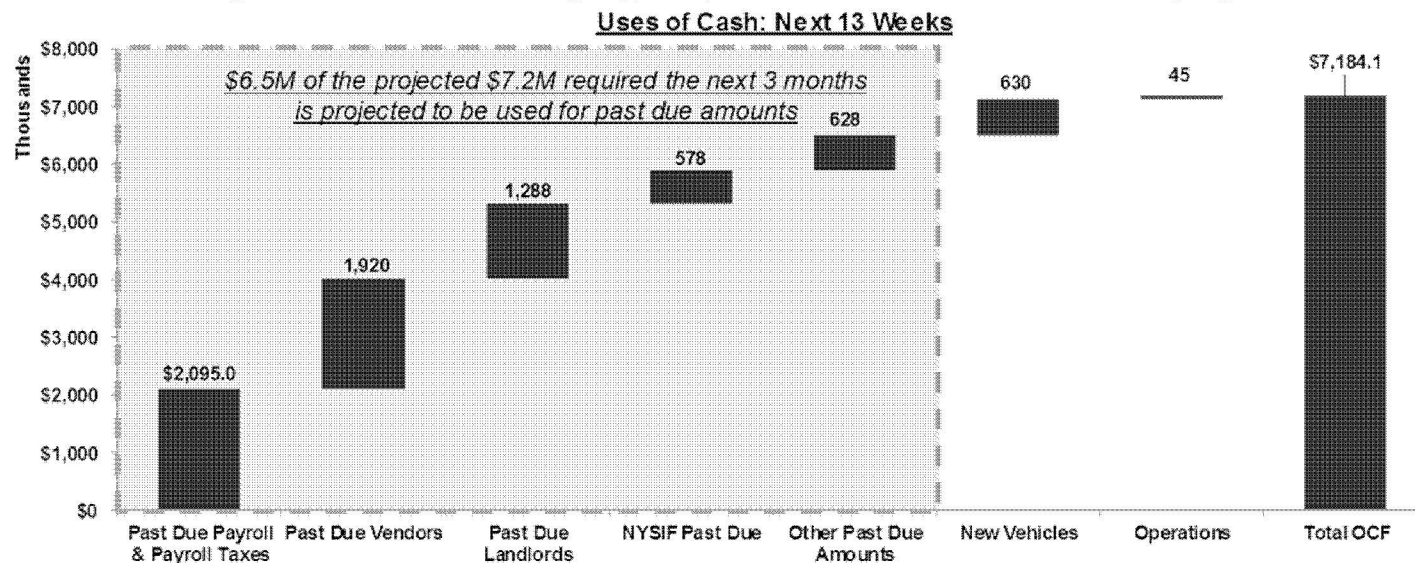
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## Sources and Uses of Cash

- » The requested funding amounts over the next 3 months are forecasted to be used in the following manner;
- \$6.5M in past due payments for Payroll, Payroll taxes, Vendors, Landlords, NYSIF and other Past Due amounts
  - Forecast assumes TC only pays down \$1.9M of approximate \$5M past due vendor payables
  - The incremental requirements over prior projections is the result of increased critical/hostage vendor payments
  - CMA does not believe a bankruptcy is a viable strategy for TransCare, for a number of reasons:
    - Past due payroll and payroll taxes would still need to be paid, and many landlords cured
    - Investment in new vehicles and operational changes would still need to be made
    - NYSIF past due would still need to be paid
    - Savings from past due vendors and other amounts would be offset by cost of a bankruptcy and given the business fragility, we predict that customers and employees would abandon TC



## Basis of a Turnaround

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- » TransCare has several key attributes that provide the opportunity for a successful turnaround
  - Passionate and dedicated employee base who desperately want the Company to be successful
  - Long standing customer relationships and historical reputation for service that while severely strained can, in the context of needed investment and business change, serve as the basis for retention of business and reestablishment of a joint commitment to partnership
  - Operational fixes and infrastructure improvement are achievable over time with the right leadership and commitment to invest in the business
- » For a turnaround to be successful, the Company must re-energize and rebuild the trust with the employees and customers
  - The desire to be successful and the commitment, personal and financial dedication witnessed on the part of many employees is greater than ever seen at other companies
  - The ability to maintain customers, despite poor service levels and unreliable equipment, is a credit to the staff and the relationships they have built with the customers
  - Providing basic resources, such as access to parts, medical supplies, functioning equipment, would make an immeasurable positive impact on the morale and performance of the employees
  - New management team, including representatives from Patriarch, need to meet with each key account and communicate the go forward commitment (if there is one)

## Progress to Date (add anything we are missing)

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In addition to fighting daily fires and working to hold the business and organization together, the CMA/Patriarch team has:

- » Successfully concluded NYSIF negotiations
- » Staved off evictions from Hamilton & Bank Street operational facilities
- » Developed plan to manage short term financing needs (13 week cash forecast)
- » Developed bottoms up Plan together w/Divisional Middle Management
- » Begun flow of payments to select parts and service vendors
- » Begun search for available ambulances and leasing sources; have 2 potential sources in process.
- » Developed list of priority Action Items for each division to execute towards
- » Contacted alternative insurance broker for second opinion on options to reduce insurance costs
- » Had Northwell EMS experts meet management, tour Hamilton and New Rochelle operations, and assess areas of opportunity (we have asked them to join and provide their findings towards the end of the meeting)



## Ambulance Procurement Update (Michael rewrite in total this with Carl)

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- » Availability of ambulances to purchase depends on Class, Make and whether the vehicle is new or used
- » Describe type of ambulance that St Barnabas is demanding, the lack of immediate availability and when next production run is and time frame to get such a vehicle through decal and inspection (Note there may not be any new of this type available to purchase right now)
- » Describe known availability of other types of ambulances that are available including that there are a lot of used
- » Describe available options for capital lease including the 30% down payment and the monthly lease cost per vehicle (Jon make sure this ties with what is in your model)

## Cost Reduction Initiatives & Opportunities

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- » Improving direct (Drivers, EMTs, Medics) labor efficiency provides the largest cost saving opportunity
  - Key performance initiatives being implemented include;
    - Unit Hour Utilization accountability
    - Time on Task monitoring
    - Dynamic scheduling processes
- » Moving from the Hamilton location to a more centralized location, providing both cost efficiencies and incremental revenue
- » Rebidding insurance policies to include possible adjustments to coverage to reduce costs, insurance on an annual basis currently exceeds \$11M+
- » Identifying opportunities to centralize staffing
  - Currently evaluating moving billing resources from field (i.e. PA) locations to Corporate
  - Longer term goal of centralizing operations by having one location with turnout, maintenance and corporate staff in the New York Market
- » Lower repair & maintenance expense with a more reliable fleet and warranty coverage
- » With improved liquidity, Company can benefit from vendor pricing discounts/avoid paying premium pricing

## Action Plan

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**With the help of key divisional leaders and the Patriarch Partners team, CMA has put together a list of Short Term Action Items which encompasses goals for the first 2 weeks of a turnaround plan assuming necessary funding has been committed.**

» All Locations

- Immediately visit key customers (St. Barnabas, Montefiore, HealthQuest, Mt. Sinai, etc.) with Patriarch to explain funding commitment, describe operational changes underway and where needed show initial vehicle orders/commit to ongoing replacement schedule
- Address critical vendors preventing flow of maintenance parts
- Implement communication plan to the employees to build trust and improve morale
- Focus on driver and EMT recruiting and retention efforts
- Confirm leasing companies to finance additional ambulances and schedule timing on delivery
- Develop a list of target customers, begin to think offensively instead of defensively

» NY EMS

- Lease 2 New Ambulances for St. Barnabas (Cost 30% or \$90k down payment)

» NY CORE

- Team needs to determine if South Bronx facility is appropriate to replace Hamilton and put together an execution plan to transfer operations. Retain real estate professional (broker)

» Hudson Valley

- Get 4 out of service vehicles for Hudson Valley in service needing spare parts
- Get 2 out of service vehicles for Hudson Valley in service by completing registration
- Formalize promotion of Matt Nolan to General Manager of Hudson Valley

» Maryland

- Evaluate leadership team in MD via a site visit with Glen Youngblood

## Action Plan (Continued)

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### **Short Term Action Items (Continued)**

- » Pittsburgh
  - Resolve pending lease / eviction notification with Pittsburgh landlord

### **Medium Term Action Items : Next 3 – 6 Weeks**

- » Hire a General Manager and Controller for the Transit Division
- » Negotiate payment plans with the remaining critical vendors (not addressed in the first 2 weeks)
- » Finalize work plan to relocate Core Operations from Hamilton facility with agreed upon timeline
- » Identify potential alternatives to the Corporate Office and evaluate potential savings
- » Identify/recruit supervisors for NYCORE business
- » Restore Direct Deposit for all employees



## FY 16 Projections

**CMA worked with Patriarch team and key Company employees to develop a projection for FY'16, the projections are attainable but include a significant amount of operating risk.**

- » The plan was built based on the input of each of the Vice Presidents and the feedback from Patriarch on key issues, such as the MTA Transit contract, fleet expansion, etc.
- » Major risks center around the retention of key customers and changes required on multiple fronts, some like the proposed move impacting personnel
- » Majority of cost reductions center around improving the labor efficiency through higher Unit Hour Utilization, due to improved vehicle up-time and dynamic shift scheduling
- » Should be incremental opportunity to reduce fixed costs in the business but to date no material changes have yet been modeled
  - Insurance, Occupancy costs, bad debt and staffing are the current areas of review
- » Ultimate target to achieve best in class operation and 10%+ EBITDA return
- » See Appendix for complete assessment of risk, opportunities and assumptions

FY 2016: Financial Projections					
	Fcst	Fcst	Fcst	Fcst	Fcst
Amounts in 000's	Q1-2016	Q2-2016	Q3-2016	Q4-2016	FY '16
Ambulance Revenue	19,317	18,875	18,963	19,164	76,319
Transit Revenue	5,377	5,950	6,395	6,491	24,214
Total Operating Revenue	24,694	24,825	25,358	25,655	100,532
Direct Costs	17,802	16,728	16,592	16,576	67,698
Gross Margin	6,892	8,097	8,766	9,079	32,834
	27.9%	32.6%	34.6%	35.4%	32.7%
OpEx - Excluding Depreciation	7,048	7,045	7,005	6,770	27,868
EBITDA	(156)	1,052	1,761	2,310	4,966
	n/m	4.2%	6.9%	9.0%	4.9%
<b>Working Capital Changes</b>					
Trade AP & Accrued Expenses	(4,764)	(1,425)	4	15	(6,171)
NYSIF	(1,049)	(546)	(517)	(488)	(2,599)
Accounts Receivable	384	858	(414)	(231)	597
Mgmt Fees	338	338	338	338	1,350
Inventory	273	(5)	(18)	(12)	238
CapEx	(3,050)	(1,276)	(1,275)	(75)	(5,676)
Lease Financing	2,100	840	840	-	3,780
Net Change in Cash : Working Capital & CapEx	(5,769)	(1,215)	(1,043)	(453)	(8,481)
<b>Free Cash Flow from Operations</b>	<b>(5,926)</b>	<b>(164)</b>	<b>718</b>	<b>1,857</b>	<b>(3,515)</b>
<b>Financing Sources &amp; Uses of Cash</b>					
Capital Lease Payments	(233)	(346)	(391)	(459)	(1,428)
Interest/Fees to Wells Fargo	(300)	(300)	(300)	(300)	(1,200)
ABL Paydown	(326)	(730)	352	196	(507)
Capital Contribution	6,837	1,661	-	-	8,498
All Other	(53)	(18)	(19)	(20)	(109)
Subtotal	5,926	268	(358)	(582)	5,254
<b>Free Cash Flow</b>	<b>-</b>	<b>105</b>	<b>360</b>	<b>1,274</b>	<b>1,739</b>
Beginning Cash	100	100	205	565	100
Change in Cash	-	105	360	1,274	1,739
Ending Cash Balance	100	205	565	1,839	1,839



## Status of Wells Fargo Discussions

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Michael to complete

Privileged & Confidential

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## Status of Wells Fargo discussions 01-16.pptx

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From:

Michael Greenberg <michael.greenberg@patriarchpartners.com>

To:

Marc Pfefferle <mpfefferle@carlmarks.com>, jkillion@carlmarksadvisors.com, clandeck@carlmarksadvisors.com

Cc:

Adam Katz <adam.katz@patriarchpartners.com>

Bcc:

jkillion@carlmarks.com

Date:

Wed, 27 Jan 2016 11:31:05 -0500

Attachments:

Status of Wells Fargo discussions 01-16.pptx (107.84 kB)

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After further discussion, a slight clarification of Wells Fargo's position regarding a longer term forbearance, amendment or extension.

**PX 177**

LaMonica v. Tilton, et al., 18-1021-smb

EXHIBIT

171  
11-12-18

Blumberg No. 5118

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## Status of Wells Fargo Discussions

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- A note for the new facility along with supporting documents has been drafted and presented for your review.
- Once approved, the documents will be sent to Wells Fargo and the Intercreditor Agreement amended to account the new facility's priority ahead of the Term Loan lenders in the ABL collateral.
- Given the upcoming maturity of 01/31/16 and the need for an approved budget, Wells Fargo is willing to provide a short-term forbearance agreement subject to the following:
  - Delivery of the budget by a date certain (most recent request this Friday, January 29<sup>th</sup>).
  - Specification in document, that, in the event of a sale or liquidation of the assets, Wells Fargo would be paid out first.
- Long-term forbearance agreement, amendment or extension.
  - Based on the budget provided.
  - 1-year term is possible if the plan is fully funded according to John Husson.
  - Anything less than fully funded would likely result in shorter extension.
  - If 1-year term and sale not being considered in near term, financial covenants would be needed (either variance to budget for revenue, expenses, availability) or fixed charge coverage or other covenant if supportable.
  - Last night, John Husson and Otterbourg mentioned that, in order to best protect Wells Fargo's position, upon a sale or liquidation or acceleration of their debt, Wells Fargo would be seeking a first priority position in all collateral.
  - This condition is new but they indicated that this relates to moving toward a stabilization plan versus sale process.
- Credit Suisse – Unclear whether Wells Fargo will require Credit Suisse vs. Agent acknowledgment (Wells has been told not to expect CS acknowledgement).
  - Credit Suisse's trustee left a voicemail this week checking on the Dec. and Jan. interest payments.